

## Message Text

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ORIGIN STR-04

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 STRE-00 FEA-01  
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03  
H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01  
AID-05 CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01  
SP-02 OMB-01 /107 R

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----- 034126

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FM SECSTATE WASHDC

TO AMEMBASSY VIENNA PRIORITY

INFO USDEL MTN GENEVA PRIORITY

AMEMBASSY TOKYO

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E.O11652:

TAGS: ETRD, GATT, AU

SUBJECT: AUSTRIAN REQUEST ON SPECIALTY STEEL

REF: GENEVA 9451, VIENNA 8989

1. THE PRESIDENT'S SPECIAL TRADE REPRESENTATIVE, AMBASSADOR  
DENT, IS SENDING A LETTER TODAY, DEC. 7, TO THE AUSTRIAN

AMBASSADOR, TO INFORM HIM THAT THE 7.6 PERCENT SHORTFALL  
IN AUSTRIAN TOOL STEEL SHIPMENTS DURING THE FIRST SIX MONTH  
QUOTA PERIOD CANNOT BE CONSIDERED INEQUITABLE, AND DOES  
NOT JUSTIFY A SEPARATE TOOL STEEL QUOTA FOR AUSTRIA AT  
THIS TIME. THE TEXT OF THE LETTER, WHICH FOLLOWS BELOW,  
ALSO STATES THAT WE WILL CONSIDER A SEPARATE TOOL STEEL  
QUOTA FOR AUSTRIA IN THE SECOND QUOTA YEAR IF SUBSEQUENT  
PERFORMANCE WARRANTS SUCH ACTION.

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2. THE INTERESTED AGENCIES TOOK INTO CONSIDERATION THE ARGUMENTS MADE IN REFTELS AND IN PRESENTATIONS MADE BY THE AUSTRIAN EMBASSY IN WASHINGTON BUT FELT THAT A 7.6 PERCENT SHORTFALL FROM AUSTRIA'S 1971-75 AVERAGE (103 TONS DIVIDED BY 1,356 TONS OR 60 PERCENT OF AVERAGE ANNUAL SHIPMENTS OF 2260 TONS) DID NOT REPRESENT AN UNDUE RESTRICTION. THE VARIOUS PRACTICAL PROBLEMS FACED BY THE AUSTRIAN STEEL

FIRM IN MAXIMIZING ITS POSSIBILITIES UNDER THE BASKET QUOTA ARE NO DIFFERENT THAN THOSE OF FIRMS FROM OTHER BASKET COUNTRIES OR OF SEPARATE QUOTA COUNTRIES WHERE SEVERAL FIRMS ARE COMPETING FOR THE COUNTRY ALLOCATION. THE SAME DIFFICULTIES CONFRONT FIRMS IN MEMBER STATES COMPETING FOR THE EC QUOTA. AUSTRIA'S LEGAL (GATT) ARGUMENTS ARE DEALT WITH IN THE LETTER.

3. LISTED BELOW IS TEXT OF AMBASSADOR DENT'S LETTER.

BEGIN TEXT.

DEC. 7, 1976

DEAR MR. AMBASSADOR:

THIS IS IN RESPONSE TO YOUR NOTE TO ME OF OCTOBER 18, 1976 AND THE AUSTRIAN EMBASSY'S AIDE MEMOIRES OF OCTOBER 18 AND NOVEMBER 11, 1976.

THE AUSTRIAN GOVERNMENT'S REQUEST FOR A SEPARATE ALLOY TOOL STEEL QUOTA HAS BEEN CAREFULLY REVIEWED IN LIGHT OF THE PERFORMANCE OF THE BASKET QUOTA FOR THE PERIOD JUNE 14 - DECEMBER 13, 1976 AND THE AUTHORITY DELEGATED TO THE SPECIAL REPRESENTATIVE TO ALLOCATE QUOTA AMOUNTS IF HE OPEN QUOTE DETERMINES THAT IT IS NECESSARY OR APPROPRIATE, TO ASSURE EQUITABLE TREATMENT. END QUOTE ON THE BASIS OF THIS REVIEW, I HAVE CONCLUDED THAT A SEPARATE ALLOY TOOL STEEL QUOTA FOR AUSTRIA WOULD NOT BE JUSTIFIED AT THIS TIME.

DURING THE FIRST SIX-MONTH QUOTA PERIOD AUSTRIA ACCOUNTED LIMITED OFFICIAL USE

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FOR 1253 TONS OF ALLOY TOOL STEEL IMPORTS, ONLY 7.6 PERCENT LESS THAN ITS 1971-75 AVERAGE WOULD HAVE PERMITTED FOR THAT PERIOD. SINCE WE DO NOT EXPECT IMPORTS FROM ALL COUNTRIES TO BE PRECISELY THE AMOUNT CALCULATED BY A 1971-75 AVERAGE, THIS SMALL SHORTFALL CANNOT BE CONSIDERED INEQUITABLE. IN BOTH TONNAGE AND PERCENTAGE TERMS THE SHORTFALL IS CONSIDERABLY SMALLER THAN THAT

EXPERIENCED BY SPAIN AND FINLAND IN ALLOY TOOL STEEL AND  
BY AUSTRIA AND OTHER COUNTRIES IN OTHER ITEMS.

FURTHER, WE CANNOT PREDICT WHAT WILL HAPPEN UNDER THE  
BASKET QUOTA IN THE SECOND SIX-MONTH QUOTA PERIOD AND HAVE  
NO BASIS FOR CONCLUDING THAT AUSTRIA WILL NOT BE ABLE TO  
SHIP THE DESIRED AMOUNTS DURING THAT PERIOD.

WITH RESPECT TO THE CONTENTION THAT AUSTRIA IS A SUBSTAN-  
TIAL SUPPLIER OF ALLOY TOOL STEEL, AN 11 PERCENT SHARE  
DOES REPRESENT A SIGNIFICANT PORTION OF ALLOY TOOL STEEL  
IMPORTS. HOWEVER, THE SPECIALTY STEEL IMPORT RELIEF  
PROGRAM WAS ESTABLISHED WITH RESPECT TO ALL SPECIALTY  
STEELS, AND IMPORT SHARES WERE ALLOCATED TO SUPPLIER  
COUNTRIES ON THE BASIS OF THEIR PROPORTIONATE SHARES  
OF THE U.S. MARKET FOR TOTAL SPECIALTY STEEL OVER THE FIVE  
YEAR PERIOD 1971-75. ON THIS BASIS, AUSTRIA'S SHARE IS  
LESS THAN 3 PERCENT, WHICH WOULD NOT BE CONSIDERED A  
SUBSTANTIAL SUPPLIER POSITION. IT IS ALSO FOR THIS  
REASON THAT AN ANNUAL TONNAGE FOR AUSTRIA EQUAL TO 11.4  
PERCENT OF THE ALLOY TOOL STEEL QUOTA WOULD NOT BE  
CONSISTENT WITH THE IMPORT RELIEF PROGRAM.

WE BELIEVE THAT OPEN QUOTE SPECIALTY STEEL END QUOTE  
MAY LEGITIMATELY BE CONSIDERED A PARTICULAR PRODUCT IN  
THE CONTEXT OF ARTICLE XIX. THE MEANING OF OPEN QUOTE  
PARTICULAR PRODUCT END QUOTE IS A MATTER OF JUDGEMENT.  
OUR JUDGMENT IS THAT OPEN QUOTE SPECIALTY STEEL END QUOTE  
IS A LOGICAL PRODUCT DEFINITION.

WE WILL BE WATCHING DEVELOPMENTS CLOSELY DURING THE NEXT  
QUOTA PERIOD AND ARE PREPARED TO CONSIDER A SEPARATE  
TOOL STEEL QUOTA FOR AUSTRIA IN THE SECOND QUOTA YEAR IF  
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SUBSEQUENT PERFORMANCE WARRANTS SUCH ACTION. IT IS  
ALSO CONCEIVABLE THAT ALLOCATIONS OF SHORTFALLS BY OTHER  
SUPPLIERS TO THE TOOL STEEL BASKET COULD BE MADE DUR-  
ING THE NEXT QUOTA PERIOD.

FREDERICK B. DENT

AMBASSADOR ARNO HALUSA  
EMBASSY OF AUSTRIA  
2343 MASSACHUSETTS AVE., N.W.  
WASHINGTON, D.C. 20008

END TEXT. ROBINSON

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NNN

## Message Attributes

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